

Alternative Funding Sources

Fire Service Financial Management

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ABSTRACT

Fire Departments across the country are experiencing cut backs and down sizing in their budgets. In order for Fire Chiefs to maintain an excellent level of service, they are being forced to find other sources of funding.

The purpose of this research is to help fire chiefs to identify alternative funding sources. The research examines fire publications and journals in an attempt to introduce new methods of funding. A survey of fire departments in the United States was also conducted. The survey supported the literature review and also introduced new innovative ways of funding that chiefs are actually trying. The study used an evaluative research method. Only up to date information was considered for examination. The following research questions were answered in the literature review and survey.

1. What types of alternative funding sources are fire departments using today to help offset the cost of doing business?
2. Why are fire departments looking at alternative funding sources rather than just relying on tax dollars?
3. Have the efforts of alternative funding proven to be successful and profitable?
4. Are there any new sources of funding being used by fire chiefs in other departments across the country?

The procedure allowed 30 days for respondents to return the written survey. One hundred responses were used for totaling percentages and other written information was taken from the survey. The literature review contained additional

information that supported the survey.

The results found alternative funding has become very popular with fire departments in the United States. Fire Chiefs have examined new ways of funding and are presently in motion trying them out. Grants were the most popular means of alternative funding, while cost recovery followed as an excellent mean of supporting budgets.

This report recommends that chiefs start looking for new ways of funding their budgets. All reports indicated that taxpayers are asking chiefs to be innovative and help find ways to support their departments.

Table of Contents

	PAGE
Abstract	ii
Table of Contents	iv
Introduction.....	1
Background and Significance.....	2
Literature Review	4
Procedures	10
Results.....	11
Discussion	15
Recommendations	17
References.....	19
Appendix A	20
Appendix B	22

INTRODUCTION

Financial survival is a challenge that many fire chiefs are faced with today. Cut backs, down sizing and right sizing are key words used in today's society by taxpayers and government officials. The effects of these simple words are hitting fire department's budgets hard, forcing fire chiefs to invent new ways of funding.

Taxpayers are forcing their elected officials to reduce taxes. California voters in 1978 supported the passage of Proposition 13, which limited the annual reassessment of real property. The proposition limited tax increases to no more than 2% annually on all existing properties, regardless of actual property values, which in some cases had risen by 100% or more in a given year. The real threat was to government services. The public demanded additional services but now refused to pay more. Proposition 13 limited funding to properly outfit and operate government supported services.

In 1990-91, Dennis J. Stouffer, Ph.D. of Huges Aircraft in California authored an article that claimed the Los Angeles County Fire Department found itself facing a fiscal crisis that seriously threatened the department's ability to continue the mission of providing reliable fire-rescue and emergency medical care to the 2.8 million people they serve (Stouffer, 1993, January).

The problem became clear. Fire-Rescue Departments in California needed to identify alternative ways of funding or face cut-backs in the service they provided. This trend has spread across the entire country. Ron Coleman suggests that not only are departments faced with budget cuts, but they are also being asked to establish alternative funding (Coleman, 1991, November).

Fire Chiefs are instructed to make cut backs or create other funding for their departments. Many chiefs do not have a clue how to fund their department other than the normal tax base. The purpose of this applied research project is to identify revenue sources that are available for fire chiefs to use in their departments.

To reach a conclusion, this study used an evaluative research method. Recent published literature was reviewed that pertained to the subject and a survey was conducted to focus on answering the following research questions:

1. What types of alternative funding sources are fire departments using today to help offset the cost of doing business?
2. Why are fire departments looking at alternative funding sources rather than just relying on tax dollars?
3. Have the efforts of alternative funding proven to be successful and profitable?
4. Are there any new sources of funding being used by fire chiefs in other departments across the country?

BACKGROUND AND SIGNIFICANCE

Fire departments are doing more today than ever before. In the years past, a fire department was only called upon to extinguish fires, maybe conduct simple fire inspections on new or existing buildings and some departments operated first aid squads.

Today's firefighter wears many hats. Fire department personnel usually meet a minimum requirement of physical and scholastic abilities. In many cases a firefighter is

also an emergency medical technician (EMT) or a paramedic capable of administering life saving drugs and treatment on the scene.

Firefighters are trained and certified in hazardous material handling and recovery, confined space and high angle rescue, dive rescue and disaster management. Communities across the country may require even more skills of their firefighters due to the geographic area they serve. As mentioned in the introduction of this research paper, the taxpayer is demanding more service with less funding.

The fire service is only visible to a few. Those few who require a service are gratefully thankful. Sometimes the service provided becomes a little more visible with the evening news. However, more often the fire-rescue service goes without notice. "For many departments, there's another war going on that's less visible but potentially more deadly: the struggle for financial survival (Furey, 1995, page 62)." Fire administrators are challenged to direct more attention to finding ways to make ends meet and less attention to fire ground command.

Fire Chief Tim McGrath found himself backed up against the wall several years ago at budget time. Before the Chief could utter his first word, the City Manager announced, "Don't even mention a new apparatus or manpower this year, there isn't sufficient monies to even consider these additions, (McGrath, 1990, Page 40)." The Chief knew he must investigate revenue generating possibilities for his department in order to survive.

Palm Beach Fire-Rescue is like many departments across the country. New apparatus and equipment comes in time, but in some cases behind time. Technology in cardiac monitors is changing at a rapid pace, and the department found itself with older,

outdated equipment. The budget only allows purchasing two units per year. What other methods of acquiring equipment could the department use to bring the service level to the top once again? Other departments within Palm Beach County face the same problems. The problem of funding equipment has always been present and is not going away in the future. Alternative funding may be the answer to these local departments that wish to continue and improve on services provided.

In the Executive Fire Officer Course, "Fire Service Financial Management," Chapter VII addresses alternative funding. Fire Chief's are facing zero or negative growth in their tax base. Department heads are now expected to include proposals that would generate funds and greater emphasis should be put on innovation (Student Manual, 1997, March).

Alternative funding programs should be examined by fire administrators. Departments may use this type of funding to maintain or improve current levels of service.

The importance of this research project may be beneficial for struggling departments. Alternative funding choices may allow fire departments another means of support in order to continue professional and efficient services to their communities.

LITERATURE REVIEW

The literature review process examined information relative to types of alternative funding that fire departments are using today. Only current articles were examined. Many different opinions were discussed and several were repeated a number of times.

Material and information was gathered from fire journals, emergency medical magazines and other related periodicals. The Learning Resource Center located at the National Fire Academy provided many of the publications, however, an extensive search was also conducted at the Palm Beach Fire-Rescue Department's Library. In addition to the literature review a random survey was conducted of fire departments throughout the United States.

For many years, fire departments never had to look beyond property tax for their revenues. Fire Administrators are now faced with the demands of city managers to become more creative and develop revenue generating sources. "The tax base alone is not adequate," according to Ron Coleman, "It is almost as important for fire chiefs to be able to read spreadsheets and profit and loss statements as it is for them to be able to use the incident command system (Coleman, 1991, page 50)."

Los Angeles County Fire Department found itself in a money crisis in 1991. Due to funding reductions, the department was faced with down sizing. Four person crews would be replaced with smaller companies.

Chief P. Michael Freeman formed a task team of 20 senior officers to investigate the consequences of a reduced budget and to identify solutions to correct the shortfall. The team recognized problems and found additional revenue sources that would

provide long-term stability. Alternative funding methods became available through special assessments.

Special override tax, Mello-Roos Facilities Act, county grants, fire suppression assessments and user fees were examined. The task groups put together a proposal and submitted it to the commission. The commission put the proposal before the voting public and found the protest was very mild. The new assessment program would be put into motion. "By using the assessment process, the Los Angeles County Fire Department has been able to maintain its service commitment to those who depend on it. (Stouffer, 1993, Page 30)."

Sea Cliff, New York came up with a different and unique way of raising funds. The community needed a new ambulance immediately. Henry Hollman introduced the idea of selling bricks with the donor's name engraved on it. The bricks were placed in the village next to the fire station. The project was a huge success. Not only did they raise enough money to purchase the new unit, but a reserve amount was collected and put in trust for the next replacement unit. The Mayor credited the whole community for their efforts. "I never truly thought the campaign would get as far as it did," explained Mayor Ted Blackburn (Stieglitz, 1995, page 84)."

Another community trying to make ends meet took another approach. Harvest, Alabama Volunteer Fire Department looked at fund raising as an art. They examined grants, both governmental and private sector. They also coordinated some charitable events and made contacts with different organizations at local levels. Direct mail was an excellent means of raising funds for the department, according to Barry Furey, Deputy

Chief of the department. "Our first effort netted us a profit of more than \$15,000; not bad for a community of fewer than 10,000 people (Furey, 1995, Page 64)."

Hazardous materials clean up has become an enormous expense to departments across the country. Most departments have no budget or don't know how to budget for spills, leaks and fires containing pesticides and other chemicals. The State of Minnesota has found several ways in which cities can recover some of the costs for these incidents. They include charging the "responsible persons" for the incident. When the responsible party can not be identified, the US Environmental Protection Agency can reimburse the cities. Finally, the Minnesota Pollution Control Agency or the Minnesota Department of Agriculture can reimburse the cities to cover the cost (Lee, 1991, March).

Another heavy expense that fire departments are experiencing is the high cost for providing medical care and transportation to hospitals. Billing the patient and/or the insurance companies seems to be an approach to offsetting the high cost of operating. Kimberly Carr, director of a billing service, not only believes in billing the patient, she believes in using a third party billing service. Fire departments are in the service business. Fire Suppression, prevention and emergency medical care should be a departments expertise. Billing and processing claims should be the responsibility of billing services. "With a billing service the squad can take care of the patient and a good billing service can take care of you (Carr, 1995, page 39)." Kimberly Carr claims in her own department, the collection rate has topped 84% and is rising every year (Carr, 1995, January/February).

Fire Chief Tim McGrath of Gurnee, Illinois was faced with a major set back when his city manager stopped his budget before he could present it. The manager instructed him

to investigate revenue generating possibilities. His department had never found it necessary to generate revenue. Work in the next few weeks proved to be rewarding. The budget was approved and many revenue generating options were adopted.

The Chief explained, "My intent is not to debate the philosophical differences as to who should pay for services rendered by fire departments, but to share a consolidation of ideas on how we, as fire service managers, can address ever increasing demands for service with diminishing financial resources (McGrath, 1990, page 40)."

The following is a list of options identified by Chief McGrath. The list contains both positive and negative aspects, and not all have been adopted by the Gurnee Fire Department.

1. Rescue user fee: residents and non-residents would be charged differently for services provided.
2. Fire User Fee: non-residents would be billed for vehicle fires of which the owner may claim with their insurance company.
3. Driving Under the Influence (DUI) Reimbursement: collection for service rendered on convicted DUI offenders.
4. Special Duties Unusual Circumstances: reimbursement schedule for stand-by or services for unusual requests, i.e. hazardous material clean-ups, fire watches, hazardous condition stand-by.
5. Rescue Squad Stand-by: charging for apparatus and/or personnel.
6. Public Education: charging for public education programs; i.e., CPR classes, fire extinguisher training, fire brigade training.

7. Fire Prevention Bureau Inspection and Repeat Inspections: charging for fire prevention inspections for businesses. Rates would increase for repeat inspections.
8. New construction Plan Review: charge based on square footage for reviewing new construction.
9. False Alarm Ordinance: charging for false alarms when the conditions are controlled by the occupants and to include citations and fines for non-compliance.
10. Fire Investigation and Fire Reports: insurance companies would reimburse the fire department for time spent investigating cause and origin. Charging for pictures taken would also be included.
11. Fire Prevention Maintenance Inspections: charge existing properties for regular scheduled building inspections.
12. Monitoring Alarm Company Circuits: charge a flat monthly fee to alarm companies whose fire alarms terminate at the communications center.

Chief McGrath considered other tactics of revenue generating sources. Some were more politically advantageous than others, and only a few have been adopted by his community (McGrath, 1990, October).

In summary of the entire literature review, only a few mentioned Government contracts and bonds. The grant process varies from state to state and is always changing. It's important to understand the process and following the requirements to the letter. The

process may be difficult explains Barry Furey, however, don't overlook any potential source for help (Furey, 1995, March).

The completed literature review found that chiefs are identifying types of alternative funding possibilities never challenged before. The findings and observations found in the literature contained new innovative ideas. The literature suggests that different means of alternative funding used by departments is working well because the community accepts the cost in return for excellent service and reduced taxing.

PROCEDURES

The procedures used for this applied research project started with a literature review. The method was evaluative. The Learning Resource Center at the National Fire Academy in Emmitsburg, Maryland was contacted and current information pertaining to alternative funding sources was obtained. The information provided by the National Fire Academy and other current publications gathered in the Palm Beach Fire-Rescue library contained enough views to permit an appropriate evaluation of the subject. Only current information was selected. The articles were then sorted and pertinent information was extracted. Articles addressed only cities and municipalities in the United States of America. Once the literature review was completed, several questions were developed to further examine alternative funding.

A written survey was developed and sent to fire departments across the United States. The departments were selected at random. The survey contained unanswered

questions extracted from the literature review.

The departments surveyed included paid, volunteer and combination of paid and volunteer. Department size was also picked at random. It was assumed the respondents of the survey understood the questions and terminology. It was further assumed the respondents answered the questions truthfully and to the best of their ability. In the interest of time, after the survey was mailed out, 30 days was allowed for returns. Only the first 100 responses were used for calculating percentages in the survey.

DEFINITION

For the purpose of this report, alternative funding pertains only to fire service funding. Alternative funding is defined as a choice or different source of funding other than the normal tax based funding.

RESULTS

In some cases, the chiefs answering the survey requested not to include their department identity. This request was honored. Facts taken from the literature review and the survey showed many, if not all departments are using alternative funding in one form or another.

The first question examined was, "What types of alternative funding sources are fire departments using today to help offset the cost of doing business?" In both the literature review and the survey, there were many old and new sources of funding discussed. Fire

Chief Tim McGrath identified some sources unique only to his community. In his article he lists ways to generate funding and suggests to his readers to look for other and new innovative ways to fund fire departments. In his closing comments, Chief McGrath states “Your ideas or knowledge of other functional revenue generating options, would be appreciated (McGrath, 1990, October).”

In addition to his list that was presented in the literature review, the survey identified twenty additional means of funding. In the literature, only two articles discussed grants. In the survey, federal, state, and local grants topped the list with 60% choosing this the most popular way of alternative funding. Cost recovery for hazmat followed grants with 45% reporting as an effective way of revenue. Donations were third on the list with 35% of the departments claiming an excellent way to fund. Outdoor events, such as rummage sales and bar-b-ques may be included as donations or solicitations. This would add 10% to the donations category.

The completed survey is presented and listed as percentages of departments, using one form or another of alternative funding.

1. 0% Wish List
2. 0% Fire protection fees or fire subscriptions
3. 5% Facility rental, i.e., meeting or banquet rooms
4. 5% Fire suppression/rescue fees
5. 10% Outdoor events, i.e., rummage sales, BBQ, etc.
6. 10% Special events
7. 10% Standby medical

8. 10% New building inspection
9. 10% Existing building inspection
10. 10% Fines for code violation
11. 10% Hospital Transfers
12. 15% Flow Tests
13. 15% Contracting services to other communities, medical and fire
14. 15% CPR or first aid classes
15. 15% User fees
16. 20% Standby fire watch
17. 30% E.M.S. transport
18. 30% False alarm fees
19. 35% Plans review and permit fees for new construction
20. 35% Donations or solicitations
21. 45% Cost recovery for hazmat
22. 60% Federal, State, or local grants

The second question was answered in the literature review and the survey, “Why are departments looking at alternative funding sources rather than just relying on tax dollars.” In all cases, it was understood that elected officials and tax payers alike are demanding more service for less money. Ronny Coleman questions if fire chiefs should ignore reality, and hope funding levels will be restored or should we attack by writing ordinances that allow cost recovery and attempt to support our budgets by other innovative measures (Coleman, 1991, November)?

When Sea Cliff, New York needed a new ambulance, they challenged businesses and organizations to purchase engraved bricks to be placed in the city structure to show community support.

The survey indicated the number one reason departments are looking to alternative funding is to purchase those items and equipment that are not normally funded by the general fund. Another department claimed not enough money coming from the county budget. Twenty-five percent of the departments surveyed charge for emergency medical transport because the tax base was too low and property was assessed below homestead exemption, allowing not enough tax revenue to be collected. Thirty percent of the departments surveyed collected revenue for false alarms in an attempt to cause the responsible party to take care of their systems and reduce the numbers of unwanted responses.

The third question was not answered in the literature review, "Have the efforts of alternative funding proven to be successful and profitable?" In the survey, an overwhelming 80% said the benefit of collecting additional funding was worth the extra work and effort to create new innovative sources. However, 10% declared the extra funds were very limited in terms of the overall budget. The remaining 10% did not answer this question.

The final question asked, "Are there any new sources of funding being used by fire chiefs in other departments across the country?" The literature failed to identify anything new that has not been tried or experienced by a department. Only one department answered this question on the survey. The answer simply stated, "Managed Health Care." Not enough information was obtained to get a better definition of what types and charges

could be expected.

It is clear that fire chiefs are using alternative funding to help support their budgets. Each article addressed several types of funding and reasons why alternative sources needed to be used. In all cases, normal government funding was drying up and fire chiefs needed other sources in order to do business as usual.

The survey once again repeated all the same reasons and identified more. Appendix A is a copy of the survey. Appendix B is the completed list of the survey presented in percentages of departments identifying specific types used. The essay questions have been previously addressed in the research.

DISCUSSION

It is clear by reviewing literature on the subject of alternative funding that sources are being identified and tried in communities across the country. The survey also supports the literature stating many different types of funding are being put to good use.

In the literature review, the reasons for alternative funding were due to needed monies to support the budget and to purchase apparatus and equipment that was being left out of the budget. The survey indicated the same reasons for seeking new revenue sources. All fire chiefs on the survey agreed that funds are becoming more limited each year. Alternative funding was helping to cover the costs of providing excellent service to their communities.

This research clearly shows that articles have been written about alternative funding

and fire chiefs are experimenting with them. The survey supported the literature 100 percent. There were some differences in the types of funding between the articles and the surveys, but the message was there. Alternative funding is the newest program in the budget.

The author recognizes the need for alternative funding. The literature was clear that departments are losing funding by normal sources. The survey contained the question, "If your department utilizes any type of alternative funding, what was the reason to look at this funding, rather than supported by tax dollars or tax districts?" Seventy percent of the fire chiefs responded to this question. Nearly all the respondents stated that additional funds were needed to operate their departments and the normal budget was usually short. One chief used alternative funds to cover the out of ordinary needs and exceptional expenses caused by a few, rather than impact the budget and taxpayers.

Recognizing implications of alternative funding was important. Depending on the city and the department, not all types of funding would be excepted. For example, a well paid department in a affluent community would not welcome a "Down home bar-b-que," however the citizens were very pleased to send large donations to support equipment purchases for the fire department. A final statement on a particular survey stated additional funding in his community was no problem, he merely needed to provide justification.

RECOMMENDATIONS

The findings in both the literature review and the survey clearly shows that fire departments are looking at other types of funding. Today's fire departments are competing for more funding with shrinking sources. Fire Chiefs must be creative and innovative to seek out other types of funding or merely exist and not improve services. Funding departments can not be solely based on tax dollars. This research has identified many different choices of alternative funding. Each has special issues and all may not fit into some communities. Before diving into alternative funding, it is recommended that fire chiefs examine the pros and cons. A program may sound good and profitable on the outside, but the community may react negatively.

According to the literature review and the survey, fire service leaders have recognized the need for alternative funding. Each survey indicated funding sources were being examined and used.

The information contained in this research paper has indicated that people are willing to pay for services rendered. Fire Chiefs should start with programs that are proven by other communities and departments. If it's working for them, it's likely to be successful in other communities. Make no demands, but seek out help from community leaders. Cardiac monitors were purchased for the Town of Palm Beach three years earlier than expected due to a carefully planned program and showing the public the need for new equipment. Chiefs must be prepared and have justification ready to present when looking for special alternative funding.

Alternative funding may open new doors never tried before. Planning and testing

are important. Be careful to evaluate each of the programs and be sure the outcomes are worthwhile.

The most important thing to remember is that you, and only you, can control spending. Alternative funding should not be a source of revenue to engage in overspending and a poorly run budget. Keep the community and it's citizens in mind, after all it's their money as well.

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Appendix A

1. Does your department use any types of alternative funding other than normal tax supported funding?
Yes _____ No _____

2. If yes, please check the types listed below:

- _____ Wish list
- _____ Donations or solicitations
- _____ Outdoor events, i.e., rummage sales, BBQ, etc.
- _____ Special events
- _____ Stand by medical
- _____ Stand by fire watch
- _____ CPR or first aid classes
- _____ Plans review and permit fees for new construction
- _____ New building inspection
- _____ Existing building inspection
- _____ Fines for code violation
- _____ Flow tests
- _____ Fire suppression/rescue fees
- _____ Fire protection fees or fire subscriptions
- _____ Contracting services to other communities, medical _____ fire _____
- _____ False alarm fees
- _____ Cost recovery for hazmat
- _____ User fees (please specify) _____
- _____ E.M.S. transport
- _____ Hospital transfers
- _____ Federal, State, or local grants
- _____ Facility rental, i.e., meeting or banquet rooms

Please list any other types of alternative funding used by your department.

3. Do you have any ideas of funding that have not been mentioned in the previous question?

4. Do you feel the efforts used in alternative funding by your department are worthwhile?

(The profit outweighs the effort.) Yes _____ No _____ N/A _____

Please explain(optional).

5. If your department utilizes any type of alternative funding, what was the reason to look at this _____ funding, rather than supported by tax dollars or tax districts?

Appendix B

1. 0% Wish List
2. 0% Fire protection fees or fire subscriptions
3. 5% Facility rental, i.e., meeting or banquet rooms
4. 5% Fire suppression/rescue fees
5. 10% Outdoor events, i.e., rummage sales, BBQ, etc.
6. 10% Special events
7. 10% Standby medical
8. 10% New building inspection
9. 10% Existing building inspection
10. 10% Fines for code violation
11. 10% Hospital Transfers
12. 15% Flow Tests
13. 15% Contracting services to other communities, medical and fire
14. 15% CPR or first aid classes
15. 15% User fees
16. 20% Standby fire watch
17. 30% E.M.S. transport
18. 30% False alarm fees
19. 35% Plans review and permit fees for new construction
20. 35% Donations or solicitations
21. 45% Cost recovery for hazmat
22. 60% Federal, State, or local grants